

Testimony of David Chappell

To
House Agriculture Committee

Regarding Tobacco Buyout Legislation
July 24, 2003

Mr. Chairman, members of the committee, I want to thank you for inviting me to make some brief comments on proposed tobacco buyout legislation. While I understand this is one of many issues Congress faces, it is the only issue back at home. I can't walk through Owenton, my hometown in North Central Kentucky without being asked about it several times.

I farm 2200 acres in Owen County, Kentucky. I raise 50 acres of tobacco on 12 different farms and off of 17 separate lease agreements. I also have a 200 head cow/calf operation and 90 acres of a cash alfalfa crop.

Owen County ranks 3rd in Kentucky in tobacco dependency. Nearly 10% of total personal income in my county is derived from tobacco production. The average tobacco income in Owen County is \$17.9 million per year. Our primary alternative crop is the beef cattle industry.

I want to express to all of you how excited and appreciative I am that you all have taken an interest in the plight of tobacco farmers. I know many others will talk about the hits we have taken, so I won't go into great detail but I will remind you that a 65% reduction in quota is an almost equal reduction in tobacco farmer income.

I would like to give you the perspective on the tobacco buyout that, I believe relates the hopes and concerns of the majority of producers in my area of Kentucky. Put simply, a buyout is imperative to recreating a healthy farm economy in Kentucky, but most producers I talk to are also very concerned about what the tobacco market structure would look like when tobacco buyout payments stop coming. Most buyout bills, if passed, would allocate payments over a 5-6 year period. Many in my area wonder what will happen in the 7th year and beyond when federal assistance ceases.

Row cropping is not an option in my part of the state. Our ground is not flat, rather it is hilly and farther east of me, it is nearly mountainous. Agriculture has only been a viable industry in central and eastern Kentucky because of the profitable tobacco crop. Likewise, farmers in this region do not benefit much from Farm Bill payments except in the environmental assistance programs.

Because of those geographic hindrances, I believe it is extremely important that tobacco buyout legislation should prevent over production and at least make sure

that tobacco growers who work hard to produce a good crop, break even. Without those two components, and most importantly a system that prevents over production, I can assure you that tobacco production will leave my area in just a couple of years and will move to flatter ground west of us. To put that devastation into perspective for you, taking tobacco production out of central and eastern Kentucky would be similar to telling farmers in the mid-west they couldn't grow corn or beans anymore.

I like most farmers around me believe that HR 245 the Tobacco Equity Elimination Act, introduced by Congressman Ernie Fletcher is the best plan for growers. His plan of compensating quota owners and growers based on the 1998 quota years and also creating a new tobacco system that is more in line with the world market while also protecting American tobacco producers, is one that I would hope to see pass.

While HR 245 is not currently married to FDA regulation of tobacco products, most growers in Kentucky would not oppose reasonable regulation of tobacco products if in conjunction with a tobacco buyout. Growers believe a tobacco buyout can only be accomplished if in conjunction with FDA regulation and they are more concerned about getting the buyout than fighting off the FDA. They do hope, however; that FDA language will restrict the FDA from not having authority to regulate components of tobacco products that occur naturally in leaf production. In other words, regulate the manufacturer not the farmer.

I understand there have been some questions raised about the dollar amount of HR 245 and also about the post market structure created in it. While I believe both of the components are vitally important, I want to let you know that I, like most growers am willing to be flexible as we move through the debate. I believe flexibility is the key to passing tobacco buyout legislation. However, if changes must be made, I hope you will continue to consider the challenges I mentioned earlier to many tobacco producers.

Lastly let me say that I believe this is the year to pass tobacco buyout legislation. Recent decisions by a tobacco company to completely forgo the auction market for flue-cured tobacco will likely be followed up with a similar decision for burley. By waiting another year or two years, there may be nothing left to buyout. I know Congress has an aggressive agenda and I praise all of you for the work you have done to make this country a safer place for all of us. What a challenge you have faced and I believe you have worked relentlessly and admirably to defend this nation from those who wish to do it harm. I hope you might find some time in the calendar this year to pass a tobacco buyout bill that adequately compensates tobacco quota owners and growers and protects those growers who want to continue to produce tobacco, because I believe if legislation is not passed this year, the devastation in some heavily tobacco dependent regions will be beyond the point of no return.

Again, thank you Mr. Chairman for this opportunity and I look forward to answering any questions you may have.